

Message Text

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PAGE 01 MANILA 04646 220846Z
ACTION EB-08

INFO OCT-01 EA-10 ISO-00 DOEE-00 SOE-02 AID-05 CEA-01
CIAE-00 COME-00 DODE-00 DOE-15 H-01 INR-10 INT-05
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DEPARTMENT PASS TO DEPARTMENT OF ENERGY

E.O. 11652: N/A
TAGS: ENRG, EALR, RP
SUBJECT: AMOCO DRILLS ANOTHER DRY HOLE: INTEREST REMAINS HIGH
HOWEVER

REFS: A. 77 MANILA 16630, B. 77 MANILA 18560

1. SUMMARY. WHILE AMOCO'S MOST RECENT WELL IN PALAWAN WAS DRY, INTEREST IN OFFSHORE EXPLORATION REMAINS HIGH, WITH EXPLORATION ACTIVITIES BY ELEVEN MAJOR FOREIGN COMPANIES JOINED WITH LOCAL PARTNERS. END SUMMARY.

2. AMOCO COMPLETED DRILLING THE "BOAYAN" WELL OFF NORTHWEST PALAWAN MARCH 20 AND CAME UP DRY. THIS HOLE WAS FIRST DRILLED BY THE U.S. FIRM CHAMPLIN PHILIPPINES TO 7,500 FEET. CHAMPLIN LATER RELINQUISHED THE AREA TO ITS LOCAL PARTNERS. AMOCO REENTERED THE SAME HOLE AT
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PAGE 02 MANILA 04646 220846Z

INSTIGATION OF PHILIPPINE PARTNERS, WENT DOWN TO 10,500 FEET, AND DETERMINED THE WHOLE STRUCTURE WAS VOLCANIC. ABOUT \$1 MILLION WAS INVESTED IN THE OPERATION BY AMOCO.

3. ACCORDING TO JAMES MCDONALD, PRESIDENT, AMOCO PHILIPPINES, HIS FIRM HAS PLANS TO DRILL AT LEAST ONE MORE WELL IN THE PHILIPPINES THIS YEAR - IN THE VICINITY

OF ITS "CADLAO" DISCOVERY (REFTEL A) OFF PALAWAN.

4. IN RELATED DEVELOPMENTS, THE U.S. FLAG DRILL SHIP GLOMAR TASMAN, USED BY CITIES SERVICE IN DRILLING THE NIDO COMPLEX, AND AMOCO AT "BOAYAN", WILL MOVE TO THE PANAY GULF SOUTH OF OIOILO TO DRILL IN THE TREND (U.S.)/ MARSTEEL (PHIL) SERVICE CONTRACT AREA. THIS MARKS A RETURN TO THE PHILIPPINES FOR TREND WHICH DRILLED HERE IN 1975. THE GLOMAR TASMAN IS EXPECTED TO THEN MOVE TO THE REED BANK IN MAY TO DRILL FOR SALEN PHILIPPINES (SEPTTEL, NOTAL) BEFORE RETURNING AT ABOUT MID-YEAR TO PALAWAN TO DRILL AGAIN FOR AMOCO.

5. OCCIDENTAL PETROLEUM HAS CONTRACTED FOR THE FLEUR CORP. RIG "MODECO IV" TO DRILL IN THE VISAYAN SEA IN LATE MARCH. THIS IS OXY'S FIRST OUTING IN THE PHILIPPINES. PHILIPS PETROLEUM HAS COMPLETED SEISMIC SURVEYS IN ITS AREA IN THE VISAYAN SEA AND HAS UNTIL NOVEMBER 1978 TO CONVERT TO A DRILLING CONTRACT AND SELECT A SITE. IT IS FAIRLY CERTAIN PHILIPS WILL SIGN FOR A THREE WELL COMMITMENT. PECTIN PHILIPPINES (A SHELL U.S. SUBSIDIARY) IS CONTINUING ITS SEISMIC WORK IN THE SOUTHERN PALAWAN AND REPORTEDLY INTENDS TO CONVERT TO A SERVICE CONTRACT SOON. ROYAL DUTCH SHELL HAS RECENTLY SIGNED A GEO-PHYSICAL SURVEY CONTRACT COVERING ALL OFFSHORE AREAS IN LIMITED OFFICIAL USE

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PAGE 03 MANILA 04646 220846Z

THE VISAYAS NOT ALREADY COVERED BY PHILIPS, OXY, AND TREND CONTRACTS. HUSKY PETROLEUM SENIOR OFFICIALS WERE IN TOWN MARCH 20 TO DISCUSS FURTHER PARTICIPATION WITH EXISTING PARTNERS, AMOCO AND CITIES SERVICE, AND POSSIBILITY OF ACTUALLY OPERATING HERE THEMSELVES. CITIES SERVICE IS FORMING A NEW LOCAL SUBSIDIARY TO UNDERTAKE NON-EXCLUSIVE SEISMIC SURVEYS EAST OF PALAWAN.

6. ONSHORE, HOUSTON OIL AND MINERALS HAS CONVERTED ITS SEISMIC OPTION CONTRACT IN THE CENTRAL LUZON VALLEY TO A THREE WELL DRILLING COMMITMENT. PHILODRILL (WITH AMOCO) AND PNOC-EXPLORATION CORPORATION HAVE TEMPORARILY STOPPED OPERATIONS IN THE CAGAYAN VALLEY, BUT CHINA PETROLEUM CORPORATION CONTINUES TO DRILL IN SOUTHERN CEBU.

7. GENERALLY, THERE IS A LOT OF DEALING GOING ON IN THE PHILIPPINES TODAY AS LOCAL CONSORTIA TRY TO RIDE THE CREST OF THE NIDO DISCOVERIES TO INTEREST FOREIGN OIL EXPLORATION COMPANIES IN INVESTING IN THEIR SERVICE CONTRACT AREAS. THE GOP CONTINUES TO GIVE EXTENSIONS TO INVESTMENT REQUIREMENTS DEADLINES OF

THESE UNDER-CAPITALIZED LOCAL FIRMS WHILE THEY LOOK
FOR FOREIGN PARTNERS.
NEWSOM

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